UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,107	03/26/2004	Renato Staub	092005-0373214	8033

909 7590 11/01/2010

PILLSBURY WINTHROP SHAW PITTMAN, LLP
P.O. BOX 10500
MCLEAN, VA 22102

EXAMINER	
BAIRD, EDWARD J	

ART UNIT	PAPER NUMBER
3695	

NOTIFICATION DATE	DELIVERY MODE
11/01/2010	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

docket_ip@pillsburylaw.com
margaret.drosos@pillsburylaw.com

Office Action Summary	Application No.	Applicant(s)	
	10/810,107	STAUB, RENATO	
	Examiner	Art Unit	
	Ed Baird	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *23 August 2010*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1,2 and 4-24* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1,2 and 4-24* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Status of Claims

Applicant has not amended any claims. No claims have been added or canceled. Claim 3 had been canceled prior to last office action. Thus, claims 1, 2 and 4-24 remain pending in this application.

Response to Arguments

1. Applicant's arguments and amendments filed on **23 August 2010** with respect to:
   - rejections of claims 1, 7, 8, 12, 13, 17, 18, and 22 under U.S.C. § 112, second paragraph,
   - rejections of claims 1-2 and 4-24 under 35 U.S.C. § 103(a),

   have been fully considered.

2. Applicant's arguments filed with respect to claims 1, 7, 8, 12, 13, 17, 18, and 22 regarding the 35 U.S.C. § 112, 2nd paragraph rejections have been fully considered but they are not persuasive.

3. Applicant has submitted Exhibit A citing the definition of "Randomness" cited from Wikipedia. However, it is not clear to the Examiner whether Exhibit A is a prior art reference or an affidavit. If it is prior art, the document should be submitted along with an IDS. If it is an affidavit, it should be noted as such in Applicant's remarks. Applicant is requested to clarify this point in his next response. Accordingly, Exhibit A is not being considered in this office action.

4. The terms "randomly allocating", "allocated randomly", "allocating randomly", and "random allocations" are vague and indefinite in that "random" is not indicative of metes and bounds being placed on the "allocations". Accordingly, Examiner maintains rejections.

5. Applicant's arguments filed with respect to claims 1, 2 and 4-24 regarding the 35 U.S.C. § 103(a) rejections have been fully considered but they are not persuasive. Examiner

notes identical arguments, with two added points, were presented in the Applicant's response of 06 May 2010.

6. In the first added point, Applicant notes that **Shultz** merely discloses that rebalancing the tax harvesting and trading functions performed automatically by computerized systems, and the investment portfolio being periodically rebalanced based on capitalization weight parameter and an index balance parameter so as to track the index fund (**Schulz** col. 2, lines 56-65 in) [Remarks bottom of page 10-top of page 11]. Examiner that notes **Schulz** also discloses:

> each of the securities in the investment portfolio are automatically evaluated for tax loss harvest purposes. For each tax lot, the difference between the present market value of the security and a past historical value of the security is calculated and compared to a predetermined tax loss threshold. If the difference meets or exceeds the tax loss threshold, the security is *automatically sold to provide tax losses for offsetting gains in the portfolio* [col. 2 lines 48-55].

Examiner maintains *selling the security to provide tax losses for offsetting gains* as disclosed by **Schulz** is indicative of Applicant's *rebalancing the investment portfolio if any or the short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses*. Accordingly, Examiner maintains rejection.

7. In the second added point, Applicant holds that the triggering event as disclosed by **Arena** is not equivalent to the threshold as claimed by Applicant in claim 1 and does not relate to shot-term gain/loss [Remarks bottom of page 13-top of page 14]. Examiner disagrees in that **Arena** discloses the *occurrence of a triggering event* to determine "if rebalancing is necessary" [0025]. Accordingly, Examiner maintains rejections.

8. Applicant's arguments regarding the rejection of claims 6-8, 12, 16-18 and 22 are substantially similar to those presented in the Applicant's response of 06 May 2010. Accordingly, Examiner maintains rejections

9. Examiner notes that Applicant argues dependent claims 23 and 24 only in view of the limitations of independent claims 1 and 13 [Remarks page 16]. Accordingly, Examiner maintains rejections.

Claim Rejections - 35 USC § 112

1. The following is a quotation of the second paragraph of 35 U.S.C. 112:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claims 1, 7, 8, 12, 13, 17, 18, and 22 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

3. Regarding **claims 1, 7, 8, 12, 13, 17, 18, and 22**, "randomly allocating", "allocated randomly", "allocating randomly", and "random allocations" are vague and indefinite. The term "randomly" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention.

For purposes of examination, the term "random" or "randomly" will be interpreted to the best of the Examiner's ability. Appropriate correction is required.

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

5. Claims 1, 2, 4, 5, 9 – 11, 13 – 15, and 19 - 21 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz et al** (US Patent No. 6,687,681) in view of **Wallman** (US Pub. No. 2003/0229561) in further view of **Arena et al** (US Pub. No. 2002/0174045).

6. Regarding **claims 1 and 13**, **Schulz** teaches:

- identifying at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio; and
- rebalancing, using a computer, the investment portfolio *if a threshold is met involving capital gains or losses.*

Schulz discloses a method and apparatus for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses [Abstract]. **Schulz** discloses an accounting system for maintaining tax lot information for individual accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades [Abstract]. **Schulz** further discloses automatic evaluation of investment portfolio for tax loss harvest purposes; a predetermined tax loss threshold for each tax lot [column 2, lines 46-55]. If the difference meets or exceeds the tax loss threshold, the security is automatically sold to provide tax losses for offsetting gains in the portfolio. **Schulz** discloses rebalancing, tax loss harvesting, and trading functions being performed automatically by computerized systems [column 3 lines 13-37].

Schulz does not specifically disclose:

- randomly allocating, using the computer, the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold and computing an implied total short-term capital gain or loss

that would result from the sale of the at least one investment security from the at least one tax lot.

However, **Wallman** teaches *an interface to an automated portfolio manager system that allows an existing collectively owned investment account to specify its existing assets and the percentage ownership in the account of each of the individual owners of the collective account* [0013]. He further discloses *distributing a folio [sic] of securities held in the collective account, identifying specific tax lots for each owner, and randomly allocating shares to each owner* [see at least 0038 and 0043]. **Wallman** applies his methods to investing over computer networks, and an apparatus for investing over a computer network [0004].

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure to include *identifying specific tax lots and randomly allocating shares to each owner* as taught by **Wallman** because it allows proper tax reporting [**Wallman** 0046] and allows the portfolio to be divided into whole shares portions [**Wallman** 0038].

Neither **Schulz** nor **Wallman** explicitly discloses:

- rebalancing, using the computer, the investment portfolio if any of the short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses, and not rebalancing the investment portfolio if any of the short-term capital gain or loss does not fall within the threshold.

However, **Arena** discloses a system, method, and computer program product for dynamic, cost effective reallocation of assets among a plurality of investment [Abstract,]. **Arena** further discloses rebalancing so as to minimize transaction costs including capital gains taxes (short and long term), tax penalties, income taxes, surrender charges, commissions, and

transaction fees [0076]. **Arena** discloses the *occurrence of a triggering event* to determine "if rebalancing is necessary" [0025]. Examiner interprets *a triggering event* as indicative of Applicant's *falling within a threshold for short-term capital gains or losses*. Examiner further notes that it is inherent that the absence of such triggering event would result in no rebalancing.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure *to account for short-term capital gains* as taught by **Arena** because it reduces costs incurred due to short-term capital gains [**Arena** 0076].

7. Regarding **claim 2, Schulz, Arena** and **Wallman** teach all the items of claim 1, the claim upon which this claim depends. **Arena** further teaches: wherein the at least one security to be sold is identified based on a difference between securities in the investment portfolio and a target portfolio.

Arena discloses asset allocation models with recommended allocation percentages between stock and bonds based on potential for capital growth and exposure to risk [0006]. **Arena** in turn discloses a system, method, and computer program product for rebalancing assets to achieve a composite asset allocation model, [0021]. Examiner interprets composite asset allocation model as an example of Applicant's target portfolio. Examiner notes that rebalancing assets in a portfolio includes buying and selling of securities accordingly.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure to include a composite asset allocation model as taught by **Arena** because such a model would help achieve desired asset allocation for a particular type of investor - aggressive, balanced or conservative - based on potential for capital growth and exposure to risk [**Arena** 0006, 0076].

8. Regarding **claims 4 and 14**, **Arena** teaches:

- comprising identifying a plurality of securities to be sold in connection with the rebalancing of the investment portfolio based on a difference between securities in the investment portfolio and a target portfolio.

as discussed in the rejection of claim 2. Accordingly, these claims are rejected for the same reasons as claim 2.

9. Regarding **claims 5 and 15**, **Arena** teaches:

- the plurality of securities to be sold are identified by allocating the securities to be sold to at least one tax lot associated with the securities to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the plurality of securities from the at least one tax lot.

as **discussed** in the rejection of claim 2.

As discussed in the rejection of claims 1 and 13, the claims upon which these claims depend, **Arena** further discloses rebalancing so as to minimize transaction costs including those due to taxes on short and long term capital gains taxes [0076]. Examiner notes that while **Arena** does not specifically disclose computing short-term capital gains or losses, this computation is inherent in the system. Examiner asserts **Arena** would not be able to rebalance so as to minimize transaction costs without computing short-term capital gains or losses.

Accordingly, these claims are rejected for the same reasons as claims 4 and 14, the claims upon which these claims depend.

10. Regarding **claims 9 and 19**, **Schulz** teaches:

- rebalancing the investment portfolio if [sic] a total short-term capital gain or loss for the year, which would result from the rebalancing of the investment portfolio, falls with a threshold for short-term capital gains or losses, and not rebalancing the investment

portfolio if the total short-term capital gain or loss for the year does not fall within the threshold.

Schulz discloses that periodically, preferably at a time exceeding the minimum interval required by internal revenue service wash sale rules, each of the securities in the investment portfolio are automatically evaluated for tax loss harvest purposes [column 2, lines 45-50].

Examiner notes that "periodically" includes the term "for the year" as claimed by the Applicant. This time frame is also a statement of intended use. As per MPEP 7.37.09: a recitation of the intended use of the claimed invention must result in a structural difference between the claimed invention and the prior art in order to patentably distinguish the claimed invention from the prior art. If the prior art structure is capable of performing the intended use, then it meets the claim.

These claims are substantially similar to claim 3 and therefore are rejected for the same reasons.

11. Regarding **claims 10, 11, 20 and 21**, the limitations:

- the threshold for short-term capital gains or losses is about 2% of the value of investment portfolio's assets (claims 10 and 11);
- the threshold for short-term capital gains or losses is defined by an investor (claims 20 and 21).

are statements of intended use as discussed in the rejection of claims 9 and 19. Therefore, these claims are rejected for the same reasons as claims 9 and 19.

12. Claims 6 – 8, 12, 16 – 18, and 22 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Wallman** in further view of **Arena**, in further view of

Francis ("Mutual-Fund Records Pay Off at Tax Time", Wall Street Journal. (Eastern edition), New York, N.Y., Nov 16, 2001. pg. C1).

13. Regarding **claims 6 and 16**, **Schulz, Wallman** and **Arena** teach all the items of claim 5, the claim upon which this claim depends. **Schulz, Wallman** and **Arena** do not teach:

- allocating the securities to be sold beginning with an earlier tax lot of a plurality of tax lots and proceeding to a later tax lot; or
- allocating the securities to be sold beginning with a tax lot of a plurality of tax lots having a higher cost basis and proceeding to a tax lot with a lower cost basis.

However, **Francis** teaches using first-in, first-out accounting, or FIFO, to figure the cost of shares sold in an investor's account [abstract, 1st paragraph]. **Francis** discloses that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph] but may also determine fund gains or losses using specific share identification, also called a "versus sale" or a "specified lot" sale, allowing investors to pick which lots of shares to sell [full text, 7th paragraph]. Examiner interprets a "specified lot" sale as allowing an investor to arbitrarily choose between tax lots as claimed by Applicant.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors to pick which lots of shares to sell as taught by **Francis** because doing so allows investors to choose which cost basis to use when determining taxes on capital gains [full text, 7th paragraph].

14. Regarding **claims 7 and 17**, **Francis** teaches:

- the plurality of securities to be sold is allocated randomly to a plurality of tax lots.

As discussed in the rejection of claims 6 and 16 above, **Francis** teaches that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph]. Examiner interprets average purchase cost for the fund they

are selling as being allocated randomly to Applicant's tax lots in that the investor is not picking which lots of shares to sell either to avoid short-term capital gain or by way of FIFO.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors selling securities to randomly allocate securities to a plurality of tax lots as taught by **Francis**. By doing so, an investor/ taxpayer can avoid the nuisance of record keeping [full text, 8th paragraph], although it may not be the most cost effective technique when trying to avoid short term capital gains.

15. **Claims 8 and 18** are substantially similar to claims 6 and 16 respectively, and therefore are rejected for the same reasons.

16. **Claims 12 and 22** are substantially similar to claims 7 and 17 respectively, and therefore are rejected for the same reasons.

17. Claims 23 and 24 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Wallman** in further view of **Arena** in further view of **Karp et al** (US Patent No. 6,832,209).

18. Regarding **claims 23 and 24**, neither **Schulz, Wallman** and **Arena** explicitly discloses:

- the short-term capital gain or losses which would result from the rebalancing of the investment portfolio is computed as a sum of the short-term gain or losses of each of the at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio.

Karp disclose a method and apparatus for investing which capitalizes on the investment manager's skill for identifying short selling opportunities as well as opportunities of investing in long positions and handles the purchase and sale of the financial instruments in such a way as to defer the need for the investor to pay taxes on capital gains and to aggressively harvest the

realization of capital losses to an investor's portfolio or other holdings [column 4 lines 29-39]. In turn, he discloses *summing short term capital gains* realized from the sale of financial instruments [claim 1].

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure to include *summing short term capital gains realized from the sale of financial instruments* as taught by **Karp** because it allows in-kind distributions of investments to investors withdrawing from such an investment entity [**Karp** claim 1].

Conclusion

The prior art of record and not relied upon is considered pertinent to Applicant's disclosure:

- **Qi et al**: "Method of evaluating a portfolio of leased items", (US Pub. 2004/0148241).

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Ed Baird whose telephone number is (571)270-3330. The examiner can normally be reached on Monday - Thursday 7:30 am - 5:00 pm Eastern Time.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles R. Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Ed Baird/
Examiner, Art Unit 3695

/Narayanswamy Subramanian/
Primary Examiner, Art Unit 3695